



The Florida Senate

Interim Project Report 2000-69

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Committee on Transportation

Senator Roberto Casas, Chairman

LINKING FLORIDA'S ECONOMIC DEVELOPMENT AND TRANSPORTATION STRATEGIES

SUMMARY

Two recent studies have demonstrated a link between transportation infrastructure investment and added value to the economy. The first study, completed by The Florida Chamber of Commerce Foundation, indicates the importance of the state's transportation infrastructure to the health of the economy. The second study, released by the Transportation Commission in June 1996, reports long-term benefits are realized far beyond the construction-period from investment in transportation and further reports the most important and comprehensive measure of return on investment is the benefits received by users.

Florida's transportation needs currently exceed the allotted transportation funding; therefore, Floridians are taking steps to better manage their transportation resources. For example, the Florida Freight Stakeholders Task Force and the Department of Transportation are coordinating the planning of projects to ensure projects which add value to the economy are given priority over other projects. For another example, the Office of Tourism, Trade and Economic Development, based upon recommendations from Enterprise Florida, Inc., approves expenditures and enters into contracts for direct costs of transportation projects with other governmental entities to provide transportation improvements which attract or retain businesses.

The efforts of the Freight Stakeholders Task Force and the Office of Tourism, Trade and Economic Development have been a tremendous first step, but all modes must be given the same attention. For these reasons, the Legislature should encourage the Office of Tourism, Trade and Economic Development, Metropolitan Planning Organizations, the Freight Stakeholders Task Force and the Department of Transportation to coordinate their efforts in selecting transportation projects which optimize the state's investment in its infrastructure by adding the most value possible to Florida's economy.

BACKGROUND

Each level of government has a different perspective when defining its economic development objectives and, therefore, has different priorities in transportation project funding. However, Floridians have begun to see the importance of a well planned interconnected transportation system to the economic health of the State of Florida.

There is currently a wide range of studies, programs and initiatives in Florida recognizing the link between investing in transportation infrastructure and economic development. The Florida Chamber of Commerce Foundation, a private organization representing Florida's business community, has recently completed a comprehensive study of Florida's economy and links the state's transportation infrastructure to the health of the economy.

In addition, a study released by the Transportation Commission in June 1996, reports long-term benefits, far beyond the construction-period, are realized from investment in transportation. The report states the most important and comprehensive measure of return on investment is the benefits received by users. Such user-benefit measures include time savings, lower vehicle operating costs and improved safety.

Further, the Florida Freight Stakeholders Task Force and the Department of Transportation (FDOT) through its Intermodal Program are taking efforts to coordinate the planning and future construction of projects which add value to Florida's economy.

In June 1998, the Governor's Intermodal Transportation Summit was convened to address intermodal connectivity of the state transportation network, and the efficient movement of freight throughout the state. The result of this Summit was the creation of the Florida Freight Stakeholders Task Force,

a public/private team created to develop a statewide intermodal systems plan for freight movement.

The Florida Department of Transportation (FDOT) administers the intermodal program provided for under s. 341.053, F.S., which provides improved access to intermodal or multimodal transportation facilities and terminals. Projects funded under this program include highway and rail access to airports, seaports and other multimodal facilities.

Finally, the Governor's Office of Tourism, Trade, and Economic Development (OTTED), based upon recommendations from Enterprise Florida, Inc., approves expenditures and enters into contracts for direct costs of transportation projects with the appropriate governmental body to provide transportation improvements to attract or retain businesses.

There are also some reports which claim highway spending adds little value to the economy. For example, the Congressional Budget Office found the benefits from new highway construction have diminished over time. Other studies assert this declining rate of return suggests the country has enough highway capital stock and further suggests additional highway capacity is unlikely to yield economic benefits. However, these studies were done at a national level and did not take into account Florida's unique economy. These reports claim transportation investment should focus on maintenance, rehabilitation and management of the current highway system.

METHODOLOGY

Committee staff conducted an extensive literature review of initiatives linking transportation planning and economic development, as well as reports which studied the relationship between highway construction and the economy. This review included Florida studies as well as federal documents and professional journals. Current law regarding Florida programs and initiatives linking transportation and economic development were reviewed. Staff also interviewed state agency managers and private sector stakeholders.

FINDINGS

Two basic reasons found in relevant literature are commonly made to support the assertion highway investment is good for the economy. First, the addition of highway capital stock is said to make it easier for goods to be delivered quickly and efficiently, thus reducing transportation costs for private companies and

enhancing their productivity and presumably that of the nation.

The second reason is highway investment leads to good jobs in the highway construction and supply industries, as well as to a ripple effect through those participating in the goods and service economies of the nation. Each of these arguments is used to advance the thesis that increased highway capital investment and a bigger highway network is good for the economy.

There are, however, some studies which refute the connection between highway spending and economic development. Most of these studies agree tremendous productivity gains resulted from infrastructure spending during the 1950s and 1960s, but those gains were achieved back in the days when the nation lacked a network of modern highways and interstate construction was needed for basic connectivity to facilitate the flow of goods and services between regions.

One of the early major studies which questioned the economic development potential of highways was an analysis of the land use and urban development impacts of beltways conducted for the US Department of Transportation in 1980. The report found no strong evidence exists demonstrating beltways improve a metropolitan area's competitive advantage.

The Federal Highway Administration commissioned a major study in the early nineties looking at data from 1950 to 1989 to study the effects of highway spending on enhancing the profits and productivity of private industry. The study found a positive annual average rate of return for highway investment, with greater rates of return in the early years of Interstate system construction. However, according to a review of the original study by the Congressional Budget Office, benefits diminished over time as the highway network expanded.

Two reports have sparked the recent interest in the link between the economy and transportation and refute many arguments that transportation spending does not positively effect the economy. These reports include the report sponsored by the Transportation Commission and Floridians for Better Transportation, and the more recent Florida Chamber of Commerce Foundation report.

The Florida Chamber Foundation Report

The Florida Chamber of Commerce Foundation released a study of Florida's economic opportunities and the importance of the state's transportation system to

Florida's economic future. The report *Transportation Cornerstone Florida: Moving Florida's Economy into the 21st Century*, states Florida is poised for continued economic growth in three areas: international trade to the U.S., Latin America and the Caribbean; the global high-tech industry; and, as an international tourist destination. The report states the key to the growth and competitiveness of Florida in all three of these industries, and Florida's economy in general, is an efficient, intermodal transportation system. While the study recognizes Florida's current extensive transportation assets including the highway and rail network, the state's 14 seaports, 19 airports, and spaceport, there were certain areas which need improvement including:

- < Inefficient land side access to seaports and airports and congestion on truck routes is increasing the cost of shipping goods in Florida.
- < Congestion along key highway corridors such as I-4 and I-95 in South Florida is making it difficult for high-tech businesses to meet just-in-time delivery requirements and attract or retain skilled workers.
- < A lack of multimodal travel options and inefficient intermodal connections between airports, cruise terminals, and major attractions are inhibiting Florida's communities from enjoying the full benefit of business and personal travel in the state.
- < Capacity constraints at major seaports, airports, and the spaceport will limit future growth of Florida's most critical gateways.
- < A lack of competitive options for transportation service, most notably for passenger air service in smaller markets and for freight service in some parts of the state, is reducing the choices available to businesses to satisfy their customer demands.

According to the report, Florida's business community is frustrated over the current situation. In surveys and interviews conducted for the Florida Chamber of Commerce Foundation businesses repeatedly noted the significance of transportation, particularly highways, to their operations. They also raised concern about the adequacy of the existing infrastructure to meet their needs. The transportation planning process often proceeds with limited involvement from the business community, and is a source of frustration for businesses because it tends to emphasize local rather than regional projects; home-to-work rather than goods-to-market flows; individual modes rather than intermodal connectivity; and long-term planning rather than short-term projects.

The Florida Transportation Commission and Floridians for Better Transportation Report

The report *Transportation: An Investment in Florida's Future*, was prepared by the Florida Transportation Commission and Floridians for Better Transportation with assistance from Center for Urban Transportation Research (CUTR). This report paints a rather gloomy picture of the ability of Florida's transportation system to face the future demands of Florida's growing economy.

The report states virtually all key components of the transportation system critical to achieving Florida's economic potential have serious and growing unmet needs. The report states Florida's highway system has not kept pace with demand.

Florida's 14 deep water ports generate about \$25 billion annually in economic activity and create over 300,000 jobs, producing state and local tax revenues in excess of \$600 million annually. Yet the report states the ports face serious and immediate road and rail access needs and capacity shortages totaling about \$2.5 billion. Florida's airports generate some \$47 billion annually in economic activity and nearly 768,000 jobs in Florida. Despite downward national trends, Florida's air traffic demands are growing, and the state faces an estimated \$6 billion in airport capacity improvement need over the next 10 years.

This report demonstrated a positive connection between transportation investment and economic development. Research conducted by the Center for Urban Transportation Research (CUTR) for this report shows for each \$1.00 invested in state and local roads just to maintain current facility conditions, user benefits total \$2.86. CUTR also demonstrated each \$1.00 invested in capital improvements to transportation facilities results in annual growth of \$0.35 in Florida's Gross State Product demonstrating a rate of return of 35 percent.

The findings of this report show Florida's transportation resources are limited and a state-wide perspective of the interrelation of modes and how improvements would impact the economy would ensure the most cost effective use of limited resources. Getting the most out of limited transportation funds requires coordination at all levels of government, and a central clearinghouse to consolidate and interpret data.

Because metropolitan areas have differing priorities, economic development, the movement of freight, and the connection between regional freight hubs such as

seaports and airports are not always looked at from a regional or statewide perspective.

Florida statutes authorize statewide plans for specific modes of transportation. Public transit, airports, rail, seaport plans are developed by the FDOT.

The FDOT prepares and regularly updates the required modal plans for aviation, rail and transit, and works with the Seaport Council in preparing updates to its plan. While these plans are required to be consistent with applicable local comprehensive plans and strategic regional policy plans, they do not effectively demonstrate how these modes interconnect to increase the effective movement of people or freight.

With the limited funds available, many MPOs must often take a reactive approach to planning. Approaches to transportation planning, which could foster the development of industry, economic development and the efficient movement of freight, become a low priority.

Through the intermodal program, FDOT has recently taken great strides toward a statewide view of transportation projects and how they effect the movement of commerce.

Since program inception in FY 1990/91, \$271.9 million has been allocated for intermodal access improvement projects through FY 1998/99.

A portion of the program funds is distributed by statutory formula for local significant projects and a portion is distributed based on demonstrated statewide needs. During FY 1997/98, continued emphasis was placed on improving road and rail access to Florida's seaports and airports.

Major statewide projects receiving intermodal access funding in FY 1996/97, includes the South Florida Rail Corridor Phase III double tracking project, Port Everglades Southport land acquisition, Miami Intermodal Center, and MDTA/Metrorail Extension.

The Intermodal Program has evolved into a good example of a statewide perspective of the state's freight transportation needs. The program is working in conjunction with the Freight Stakeholders Task Force to develop the intermodal systems plan for freight movement.

Two initiatives are currently trying to address the needs expressed by the Florida Chamber of Commerce Foundation's report by involving the business

community in the transportation planning process and by addressing immediate needs of the business community as well as long-term freight planning. In addition, the Economic Development Transportation Fund which is administered by Enterprise Florida, Inc., addresses short term transportation needs of the business community, and the recently created Florida's Freight Stakeholders Task Force was created to develop a statewide intermodal systems plan for freight movement.

Freight Stakeholders Task Force

One objective of Governor Chiles' Intermodal Transportation summit held on June 19, 1998, was the creation of a private/public Task force to address the needs of Florida's intermodal transportation system and assist in developing Florida's Intermodal Systems Plan. The Florida Freight Stakeholders Task Force (Task force) was organized at a meeting sponsored by the FDOT in Tallahassee on August 6, 1998.

The primary objective of the Task force is the identification and prioritization of freight intermodal projects and the development of recommendations for the Florida Statewide Intermodal System Plan. The first step taken by the Task force was the definition and assessments of the freight intermodal network. This included freight terminals for each mode and the network of connecting highways and railways. The next step was for the Task force was to prioritize potential freight transportation improvement projects. CUTR was procured to help assist the Task force.

CUTR examined numerous existing transportation project priority systems to evaluate their applicability to the Task force. CUTR's final recommendation was for the Task force to substantially model its prioritization system to that developed by the State of Washington's Freight Mobility Project Prioritization Committee which is widely considered a national model. Such a system provides a three-phase process that first determines project eligibility, then determines priority and finally makes funding selections for a state strategic freight investment program.

CUTR suggested the following eligibility criteria:

1. The project must be located on the Florida Strategic Freight Network or it must be a direct connection to the Network.
2. The project must be primarily aimed at reducing barriers to freight movement or mitigating the impact of freight movement on communities.

3. The project must demonstrate a total public benefit divided by total public cost equal to or greater than one based on the specified benefit-cost approach.

The suggested project prioritization criteria ranks projects through a scoring system. The criteria which are scored for each project include:

1. *Benefit/cost ratio*-- measures the public benefit, including travel time savings, operating costs savings, and crash reductions compared to the public costs. This measure is weighted more than the other measures.
2. *Stage of Development*-- projects that are nearer to being able to be constructed should be given preference over projects at earlier stages.
3. *Time to Complete Project*-- projects which can be completed the quickest should be given preference.
4. *Capacity*-- measures the degree to which the project will alleviate congestion measured by level-of-service.
5. *Safety Rating*-- measures the degree to which the project alleviates hazardous conditions.
6. *Neighborhood impacts*-- discourage increased freight movement through residential neighborhoods.
7. *Freight Volume*-- measures the degree to which the project increases freight movement in high traffic areas.

The Task force was appropriated \$10 million for projects. This amount of funding will fund very few projects. The prioritization criteria suggested by CUTR would favor projects with measures such as stage of development, traffic volumes, and safety which are measures many MPOs use to prioritize projects.

Because of the limited funds available to fund freight projects, CUTR recommended projects be ranked exclusively based upon their aggregate score utilizing the project prioritization criteria, without regard to geographical distribution in the state.

To be considered, each project sponsor submits a formal application to FDOT. FDOT reviews the applications for completeness and accuracy and develops a priority rating list, based upon the prioritization criteria. The Task force will develop

recommended project allocations and the Task force's recommendations will be presented for final selection by FDOT.

Without a continuing funding source, these projects will have to wait in line to be put on the 5-year work program. A continuing funding source would allow the FDOT to offer incentives to MPOs to advance high priority freight projects.

The Economic Development Transportation Fund

The Economic Development Transportation Fund was created in 1980 and was initially administered by FDOT and the Florida Department of Commerce to help local governments attract new businesses and retain existing businesses while fulfilling state concurrency requirements. Since that time, the program has been put under the charge of the Governor's Office of Tourism, Trade, and Economic Development (OTTED) and FDOT serves as a passthrough for the funds.

Eligible projects are those which facilitate economic development by eradicating location-specific transportation problems (e.g., access roads, signalization, road widening, etc.) On behalf of a specific eligible company. Up to \$2,000,000 may be provided to a local government to implement the improvements. The actual amount funded is based on specific job creation and/or retention criteria.

The unit of government who will own and be responsible for maintenance of the transportation improvement must apply to Enterprise Florida and have approval of funds for its transportation project prior to the final decision of the company on whose behalf the application was made. In order for the application to be considered, that company must estimate and disclose:

- < The estimated amount of capital investment it intends to make in the facility,
- < The estimated number of permanent full-time jobs to be created and/or retained at the facility, and
- < The average hourly wage, excluding benefits, for the new and/or retained permanent full-time jobs.

Upon receipt of an application, Enterprise Florida staff determines if it is complete and meets program requirements. Any project found to meet these requirements will be presented to OTTED for funding consideration. Funding recommendations are based on

the amount of funds requested, the number of permanent full-time jobs created and/or retained, the economic and demographic conditions of the community in which the location is being considered, and the type of company on whose behalf the application is made.

After project approval and after funds for the project are approved, the company may proceed with its final site selection decision. The Director of OTTED will enter into a contract with the applicant for the elimination of the transportation problem. After the company, on whose behalf the application was made, has begun construction of its facility and the local government has submitted necessary documentation, a request for funds may be submitted to OTTED. The local government may receive a 90 day advance of funds, but must provide evidence of disbursement for eligible expenses before receiving additional funds. Otherwise, funds may be requested on a quarterly basis.

The funding for this program has been \$10 million a year. Funding for Fiscal Year 1998-1999 was increased to \$20 million and \$30 million for Fiscal Year 1999-2000. However about \$10.5 million was deducted off the top of the 1998-1999 appropriation because of budget provisions, and the net appropriation for 1999-2000 was reduced to about \$22 million for the same reason.

This program addresses the immediate needs of the business community, but it lacks long-term planning. Neither the OTTED program nor the Freight Stakeholders Task Force program are currently coordinated with one another.

RECOMMENDATIONS

- < The Legislature should encourage OTTED, MPOs, the Freight Stakeholders Task Force and FDOT to coordinate project selection to optimize the states investment in its infrastructure and its economy.
- < The official project prioritization criteria for projects selected by the Freight Stakeholders Task Force should include a verifiable business productivity measure. The Task force currently uses a weighted benefit/cost ratio measurement which does not take into account how projects will benefit the profitability of affected businesses.
- < Florida must foster a diverse economy in order to insulate Florida against national and global economic downturns. The creation of the Florida's Intermodal Systems Plan by the Freight Stakeholders Task Force was a tremendous first step, but all modes must be given the same attention as freight movement. The FDOT should continue to study the relationship of freight movement to all other modes for a comprehensive view of the interaction of modes in Florida.
- < The Economic Development Transportation Fund addresses the immediate needs of the business community, but it lacks long-term planning. OTTED should work closely with the Freight Stakeholders Task Force, and FDOTs modal plans to coordinate project selection which would optimize the available funds without jeopardizing the fast response intent of the program

COMMITTEE(S) INVOLVED IN REPORT *(Contact first committee for more information.)*

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MEMBER OVERSIGHT

Senators Casas and Hargrett